

Council on Postsecondary Education
March 24, 2003

2002-04 Budget Update

As of the mailing date, both chambers have passed the executive branch budget bill for the 2002-04 biennium (HB 269). Since there were differences in the House and Senate versions of the bill, the bill was sent to conference committee where a free conference committee substitute bill was negotiated and sent to both chambers for final approval. This final version was sent to the Governor on March 11, 2003. The Governor may sign the bill, let it become law without his signature, or veto the entire bill or parts of the bill.

Attached is a summary of the bill as passed by both chambers and is now awaiting the Governor's review. If there are changes due to line-item vetoes, a revised summary will be provided at the council meeting.

The 2002-04 budget bill includes state General Fund appropriations as follows:

For the institutions

- A 2.6 percent (\$24.4 million) recurring budget reduction in FY 2002-03. House Bill 269 includes \$962.9 million in operating funds for the institutions. The Executive Spending Plan funded the institutions at \$987.3 million in FY 2002-03. The council recommended \$1.05 billion in operating funds for the institutions, an amount which includes a request for \$34.6 million in benchmark funding.
- House Bill 269 includes a funding increase of \$18.9 million to the institutions' base budgets in FY 2003-04 for benchmark funding, bringing the total institutional base budgets to \$982.1 million. The council's recommendation included an increase of \$34.8 million, bringing the total institutional base budget recommendation to \$1.08 billion.
- Agency bond pool authority of \$155 million. Agency bond authority allows an institution to address campus-based fire/life safety, infrastructure, renovations, and new construction needs with its own money. An institution issues debt which is paid with institutional resources (usually housing and dining income, parking fees, or other institutionally generated revenue). The council's 2002-04 recommendation of agency bond authority was \$100 million.

For the Trust Funds

- Debt service in FY 2003-04 to issue \$120 million in taxable bonds for the Endowment Match Program (Bucks for Brains). The debt service amounts support one semi-annual payment in FY 2003-04 and are less than the amounts identified by House Bill 1 from the 2002 Special Session. The difference is due to the timing of bonds issuance.
- \$1.3 million in FY 2002-03 for the Technology Trust Fund (which is the current level of funding in 2001-02) - \$1.2 million for network infrastructure and \$100,000 for faculty development. This is the same amount recommended by the council. In FY 2003-04 the budget includes \$450,000 for network infrastructure and \$50,000 for faculty development. The budget cuts \$800,000 in the Technology Trust Fund for the public communications campaign which actually results in cutting funds associated with the Kentucky Postsecondary Education Network (KPEN) and faculty development. The council recommended \$2.2 million for network infrastructure in FY 2003-04 and continuation funding of \$100,000 for faculty development.
- \$60.4 million in FY 2002-03 and \$63.0 million in FY 2003-04 for the KEES program. This amount is less than the amounts in the Executive Spending Plan and in House Bill 1. Additional funds will be available to the program from the unclaimed lottery prize fund. Revised estimates indicate that the KEES program will be able to meet obligations for 2003-04.
- \$11.8 million in FY 2002-03 for Adult Education and Literacy Incentive Funding Program. For FY 2003-04 the program is funded at \$11.0 million. The Adult Education and Literacy Incentive Funding Program was cut by \$750,000 in an attempt to eliminate the public communications campaign; however, the cut will actually affect basic adult education services.
- \$6.8 million in FY 2002-03 and \$8.8 million in FY 2003-04 for programs in the Science and Technology Trust Fund. House Bill 269 includes restricted (one-time) funds of \$1.0 million in each year of the biennium for the Rural Innovation Fund, restricted (one-time) funds of \$1.0 million in each year for the Knowledge-Based Economy Academic Programs (Engineering Education), and restricted (one-time) funds of \$2.0 million in FY 2002-03 for the Experimental Program to Stimulate Competitive Research (EPSCoR). In FY 2003-04 the \$2.0 million restricted funds for EPSCoR are replaced with recurring General Fund dollars.

For the Council on Postsecondary Education

- The budget for agency operations is \$3,958,000 both in FY 2002-03 and FY 2003-04. This is a reduction of 2.6 percent in 2002-03 when compared to the 2003 Governor's Executive Spending Plan.
- The KYVU/KYVL operating budget was reduced by 2.6 percent to \$4.5 million in FY 2002-03 and then straight-lined at the same level for FY 2003-04.

- Pass-through programs are budgeted in House Bill 269 at \$10,407,800 in FY 2002-03, a reduction of \$150,000. While House Bill 269 instructs the council to fund the Early Mathematics Testing Program and the Local P-16 Councils Program at \$100,000 for each program for FY 2002-03 and again for FY 2003-04, sufficient funds are not provided to fund all of the activities contained in the list of pass-through programs. Reductions in pass-through activities are yet to be determined as of this writing.

Information on other legislative action that impacts postsecondary education is included in the agenda item beginning on page 25.